

Message Text

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ACTION OES-04

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC PRIORITY 7679

C O N F I D E N T I A L WARSAW 6517

FOR THE SECRETARY

E.O. 11652: GDS

TAGS: TPHY, OSCI, PL, ABUD

SUBJECT: SFCP - US-POLISH S&T COOPERATION

REF STATE 230380

1. I AM ASTOUNDED BY TREASURY'S APPARENTLY UNILATERAL DECISION TO END THE EXCESS-CURRENCY DESIGNATION OF THE ZLOTY AS OF DECEMBER 31, 1976, TWENTY-TWO MONTHS AHEAD OF THE DATE AGREED UPON LAST YEAR WITHIN THE EXECUTIVE BRANCH. THIS WILL MAKE IT VIRTUALLY IMPOSSIBLE FOR US TO FULFILL OUR COMMITMENTS UNDER THE US-POLISH JOINT FUND AGREEMENT, SIGNED OCTOBER 8, 1974, BY DEPUTY PRIME MINISTER JAGIELSKI AND YOU. IT IS CERTAIN TO HAVE PROFOUND AND UNFORTUNATE EFFECTS ON OUR RELATIONS WITH POLAND.

2. TREASURY'S DECISION ALLOWS ONLY FIFTEEN MONTHS FOR U.S. TECHNICAL AGENCIES TO OBTAIN APPROPRIATIONS FROM CONGRESS AND NEGOTIATE RESEARCH CONTRACTS FOR THE \$23-MILLION EQUIVALENT NEEDED TO MEET OUR COMMITMENTS TO THE JOINT FUND. EVEN WITH HEROIC EFFORT, THE ATTEMPT TO DO IN ONE FISCAL YEAR WHAT HAD BEEN PLANNED TO TAKE THREE IS BOUND TO PRODUCE RESULTS WHICH FALL SHORT, IN BOTH QUANTITY AND QUALITY, OF THOSE CONTEMPLATED BY THE AGREEMENT.

3. MOREOVER, ARTICLE 6 OF THE AGREEMENT STATES THAT PRESENT

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TRAVEL ARRANGEMENTS WILL REMAIN IN EFFECT UNTIL SEPTEMBER

30, 1978. TREASURY'S DECISION AMOUNTS TO AN UNILATERAL ABROGATION OF THIS CLAUSE AND LAYS US OPEN TO THE CHARGE OF HAVING NEGOTIATED THE AGREEMENT IN BAD FAITH.

4. THE DECISION IS ALL THE MORE INCOMPREHENSIBLE SINCE OUR ZLOTY HOLDINGS IN JULY, 1975, WERE OVER \$250-MILLION EQUIVALENT AND THE LARGEST SINGLE OUTFLOW, THAT FOR SOCIAL SECURITY ANNUITIES, WAS ELIMINATED AS OF THAT MONTH.

5. THIS ACTION HAS THE EFFECT OF OVERTURNING AN INTERNATIONAL AGREEMENT WHICH YOU SIGNED ON BEHALF OF THE UNITED STATES GOVERNMENT AND WHICH, TWICE IN THE PAST YEAR, HAS BEEN STRONGLY ENDORSED BY THE PRESIDENT IN JOINT STATEMENTS WITH SECRETARY GIEREK. IN MY VIEW, IT IS INCUMBENT ON THE U.S. GOVERNMENT TO RESCIND THIS DECISION.
DAVIES

NOTE BY OC/T: DISTRIBUTION COORDINATED WITH S/S-O, MR. MACK.

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